Financial Statements of

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Year ended March 31, 2006

AUDITORS' REPORT

To: Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of **Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation** as at March 31, 2006 and the statements of changes in restricted funds, operations and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of **Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation** as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Virtus Group LLP

Chartered Accountants
Regina, Canada
May 11, 2006

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Statement of Financial Position

March 31, 2006 with comparative figures for 2005

	2006	2005
Assets		
Current assets:		
Cash	$ 4,459,636	$ 800,871
Accrued interest and other receivables	416,279	505,112
Due from Western Canada Lottery - Saskatchewan Division Inc.	8,384,340	6,764,121
	13,260,255	8,070,104
Investments (note 3)	22,731,570	17,774,243
	$ 35,991,825	$ 25,844,347
Liabilities and Restricted Funds		
Current liabilities:		
Accounts payable	$ 27,385	$ 23,069
Due to Province of Saskatchewan - General Revenue Fund	817,941	951
Grants payable (note 4)	15,916,427	12,145,105
	16,761,753	12,169,125
Restricted funds: (note 1)		
Canada Games Program	2,645,350	2,579,248
Community Grant Program	946,258	381,318
Culture	4,587,088	2,618,526
Recreation	3,348,359	2,134,591
Sport	7,703,017	5,961,539
	19,230,072	13,675,222
	$ 35,991,825	$ 25,844,347

See accompanying notes to financial statements.

On behalf of the Board:

George Rothwell, Director

E Dunkerson, Director

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Statement of Changes in Restricted Funds

Year ended March 31, 2006 with comparative figures for 2005

	Canada Games Program	Community Grant Program	Culture	Recreation	Sport	2006 Total	2005 Total
Restricted funds, beginning of year	$ 2,579,248	$ 381,318	$ 2,618,526	$ 2,134,591	$ 5,961,539	$ 13,675,222	$ 16,274,913
Allocation of funds available to provide grants	750,000	5,820,000	9,917,443	4,250,333	13,417,776	34,155,552	25,943,188
Grants approved (net of returns)	(683,898)	(5,255,060)	(7,948,881)	(3,036,565)	(11,676,298)	(28,600,702)	(28,542,879)
Increase/(decrease) in funds	66,102	564,940	1,968,562	1,213,768	1,741,478	5,554,850	(2,599,691)
Restricted funds, end of year	$ 2,645,350	$ 946,258	$ 4,587,088	$ 3,348,359	$ 7,703,017	$ 19,230,072	$ 13,675,222

See accompanying notes to financial statements.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Statement of Operations

Year ended March 31, 2006 with comparative figures for 2005

	2006	Budget 2006 (note 8)	2005
Transfer of net lottery profits from Western Canada Lottery - Saskatchewan Division Inc. (Schedule 1)	$ 44,372,055	$ 39,536,421	$ 41,303,293
Less directed payments: (note 5)			
Federal Government payment	1,777,824	1,840,300	1,809,301
Former distributors	1,478,320	1,481,200	1,465,040
Other license directed payments	275,000	925,000	275,000
Payment to the Province of Saskatchewan - General Revenue Fund	6,677,941	5,860,000	12,348,601
Saskatchewan Exhibition Association	310,000	310,000	310,000
	10,519,085	10,416,500	16,207,942
Lottery profits after directed payments	33,852,970	29,119,921	25,095,351
Investment income	805,652	454,000	1,359,821
Less administration expenses (Schedule 2)	503,070	527,171	511,984
Funds available to provide grants	34,155,552	29,046,750	25,943,188
Less grants	28,600,702	29,490,338	28,542,879
Increase/(decrease) in restricted funds	$ 5,554,850	$ (443,588)	$ (2,599,691)

See accompanying notes to financial statements.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Statement of Cash Flows

Year ended March 31, 2006 with comparative figures for 2005

	2006	2005
Cash provided by (used in):		
Operating activities:		
Increase/(decrease) in restricted funds	$ 5,554,850	$ (2,599,691)
Item not affecting cash:		
Bond premium amortization	68,117	174,051
Net change in non-cash working capital items:		
Accrued interest and other receivables	88,833	165,280
Due from Western Canada Lottery - Saskatchewan Division Inc.	(1,620,219)	1,697,909
Accounts payable	4,316	(4,244)
Due to Province of Saskatchewan - General Revenue Fund	816,990	(741,764)
Grants payable	3,771,322	(3,607,718)
	8,684,209	(4,916,177)
Investing activities:		
Purchase of investments	(30,808,690)	(22,054,295)
Proceeds from disposal of investments	25,783,246	25,586,728
	(5,025,444)	3,532,433
Increase/(decrease) in cash during the year	3,658,765	(1,383,744)
Cash, beginning of year	800,871	2,184,615
Cash, end of year	$ 4,459,636	$ 800,871

See accompanying notes to financial statements.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Notes to Financial Statements
March 31, 2006

1. Nature of operations:

The Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation was established in 1973 and is continued pursuant to the *Interprovincial Lotteries Act 1984* and an agreement between the Minister of Culture, Youth and Recreation for the Province of Saskatchewan and Sask Sport Inc. Under the terms of the agreement, Sask Sport Inc. has been designated as the provincial marketing organization to sell Western Canada Lottery Corporation lottery tickets in Saskatchewan. Sask Sport Inc. has established the Western Canada Lottery - Saskatchewan Division Inc. to market, and Sask Sport Distributors Inc. to distribute these tickets on its behalf.

The net lottery profits are transferred to the Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation (the Trust) and are detailed in Schedule 1 to these financial statements. The agreement requires that the Trust shall distribute the net profits to eligible organizations designated by the Minister of Culture, Youth and Recreation for the Province of Saskatchewan. These net profits are distributed 50% to sport, 35% to culture and 15% to recreation groups. Each section contributes funds to the Saskatchewan Lotteries Community Grant Program in the same percentage as above. The sport section alone contributes funds to the Canada Games Program.

The lottery agreement also requires Sask Sport Inc., as designated provincial marketing organization for lottery tickets, to pay out of the Trust directed payments as described in note 5.

2. Significant accounting policies:

Investments:

Investments are recorded at cost, less any provisions for permanent impairment in value.

Grant expense and directed payments:

Grants are recorded by the Trust when a completed grant application is received from an eligible organization, the application is approved by the Trust and all criteria have been met by the applicant. Directed payments are recognized by the Trust as required by the lottery agreement.

Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current earnings when identified.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Notes to Financial Statements
March 31, 2006

3. Investments:

Investments at March 31 consist of:

	2006		2005	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Guaranteed Investment Certificates and Bankers Acceptances	$19,565,122	$19,978,883	$13,566,566	$14,002,391
Province of Saskatchewan Bonds	70,000	71,014	1,270,000	1,325,642
Brandes Global Equities Fund	197,578	169,655	178,519	157,093
Greystone Canadian Equity Income and Growth Fund	2,898,870	3,715,845	2,759,158	2,845,384
	$22,731,570	$23,935,397	$17,774,243	$18,330,510

Guaranteed investment certificates and bankers acceptances mature between April 7, 2006 and April 22, 2007 (2005 – April 12, 2005 and April 22, 2007) and have effective interest rates ranging from 3.75% to 4.25% (2005 - 1.74% to 6.25%). Province of Saskatchewan Bonds mature on July 15, 2008 (2005 – July 15, 2005 and July 15, 2008) and have an effective interest rate of 3% (2005 – 3.00% to 5.75%). Brandes Global Equities Fund and Greystone Canadian Equity Income and Growth Fund consist of managed equity instruments with no specified rate of return or maturity.

4. Grants payable:

	2006	2005
Community Grant Program	$ 5,424,000	$ 5,009,784
Culture	2,009,060	1,900,246
Recreation	1,231,669	928,167
Sport	7,251,698	4,306,908
	$ 15,916,427	$ 12,145,105

5. Directed payments:

Under the terms of the lottery agreement, which expires on March 31, 2006, with the Minister of Culture, Youth and Recreation for the Province of Saskatchewan, the Trust is required to make the following payments to:

- Sask Sport Distributors Inc. to cover the distributor payments made to those volunteer non-profit organizations that previously acted as ticket distributors. This amounted to $1,478,320 (2005 - $1,465,040) during the current year. Of this amount, Sask Sport Inc., as a former ticket distributor, received $358,560 (2005 - $358,560) during the current year.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Notes to Financial Statements
March 31, 2006

5. Directed payments (continued):

- the Federal Government which, under an agreement dated September 23, 1979 with the Interprovincial Lottery Corporation, withdrew from the lottery field in exchange for $24,000,000 annually, in 1979 dollars. Saskatchewan's share of this payment, for the year ended March 31, 2006, was $1,777,824 (2005 - $1,809,301).
- the Saskatchewan Exhibition Association in the amount of $310,000 (2005 - $310,000) for the current year.
- the General Revenue Fund of the Province of Saskatchewan in the amount of 5% (2005 – 9.5%) of net lottery ticket sales less a directed payment to the Mackenzie Art Gallery of $275,000 (2005 - $275,000). During the current year $6,677,941 (2005 - $12,348,601) was paid.

6. Related party transactions:

Sask Sport Inc., as a sport federation, received grants from the Trust of $639,251 (2005 - $608,702) during the current year, to provide programs and services to its member sport organizations. Sask Sport Inc. also received $12,438 (2005 - $12,825) as a fee for providing office equipment for use during the current year.

The Administration Centers for Sport, Culture and Recreation (1989) Inc., a wholly owned subsidiary of Sask Sport Inc., provides office space and administrative services for non-profit sport, culture and recreation associations and received a grant from the Trust of $216,000 (2005 - $240,000) during the current year. In addition, the Trust paid to the Administration Centers for Sport, Culture and Recreation (1989) Inc. $43,616 (2005 - $40,028) for office space and services.

These financial statements include transactions with related parties. The Trust is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Trust is related to non-Crown enterprises that the Government jointly controls or significantly influences.

7. Financial instruments and risks:

Fair value:

The recorded value of current assets and current liabilities approximates fair value for short term items. The fair value of investments is disclosed in note 3.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Notes to Financial Statements
March 31, 2006

7. Financial instruments and risks (continued):

Credit and interest rate risk:

The Trust is not subject to significant credit risk. The Trust may be subject to significant interest rate risk relative to certain investments described in Note 3. To manage such risk the Trust applies investing policies that address portfolio mix, maturities, and liquidity in order to mitigate the effects of market changes.

8. Budget:

The original budget was approved by the Board of Sask Sport Inc. on March 22, 2005. Revisions to the budget were approved by the Board November 17, 2005.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Schedule 1 - Net Lottery Profits

Year ended March 31, 2006 with comparative figures for 2005

	2006	Budget 2006 (note 8)	2005
Lottery ticket sales	$ 139,158,813	$ 135,700,000	$ 132,880,013
Revenue and expense items paid by the Western Canada Lottery Corporation:			
Prizes	(71,103,825)	(70,792,000)	(67,746,681)
Administration and ticket printing	(12,034,387)	(13,385,300)	(12,456,958)
Retailer commissions	(7,912,718)	(7,932,000)	(7,525,071)
Federal and provincial taxes	(1,472,754)	(1,604,500)	(1,479,257)
Investment income	334,181	301,100	264,241
Lottery profits transferred from the Western Canada Lottery Corporation	46,869,310	42,287,300	43,936,287
Provincial interest and other income	224,232	220,350	213,715
Provincial distribution expenses (note 1)	(1,672,314)	(1,751,869)	(1,790,175)
Provincial marketing expenses (note 1)	(1,049,173)	(1,219,360)	(1,056,534)
Net lottery profits	$ 44,372,055	$ 39,536,421	$ 41,303,293

Schedule 2 - Administration Expenses

Year ended March 31, 2006 with comparative figures for 2005

	2006	Budget 2006 (note 8)	2005
Committee meetings	$ 4,786	$ 6,806	$ 5,703
Equipment expense	12,438	13,450	12,825
Goods and services tax	5,223	5,050	4,428
Insurance	4,252	4,220	4,656
Office supplies	7,271	9,250	11,772
Postage	4,132	5,000	3,876
Printing	12,123	15,500	5,468
Professional fees	47,954	61,200	47,549
Rent	26,484	26,490	25,733
Repairs and maintenance	1,461	2,500	1,563
Salaries and benefits	361,131	354,800	373,301
Telephone	7,641	8,905	8,069
Travel	8,174	14,000	7,041
Total administration expenses	$ 503,070	$ 527,171	$ 511,984

See accompanying notes to financial statements.